

**FEDERAL RESERVE BANK OF DALLAS**

**DALLAS, TEXAS 75222**

**Circular No. 80-43  
March 13, 1980**

**REGULATION Z - TRUTH IN LENDING**

**TO ALL MEMBER BANKS  
OTHER CREDITORS AND  
OTHERS CONCERNED IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System has delayed the effective date of the revocation of the amendment to Regulation Z concerning the cooling-off period for consumers who pledge their homes as security in open-end credit arrangements. The press release and Federal Register document are printed on the following pages. The amendment in final form is enclosed and should be inserted into your Regulations Binders.

Questions regarding Regulation Z should be directed to the Consumer Affairs Section of our Bank Supervision and Regulations Department, Ext. 6171.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosure (1)



# FEDERAL RESERVE

press release

For immediate release

February 29, 1980

The Federal Reserve Board today announced that it will delay the effective date of an action revoking an amendment to its Regulation Z--Truth in Lending--that would have allowed an exception to the "cooling off" period for consumers who pledge their homes as security in open-end credit arrangements.

The revocation of the amendment will take effect May 31, 1980, rather than March 31, 1980.

The Board said it was delaying the effective date because of pending Congressional action which would permit the type of credit plans developed under the amendment and in order to prevent hardship to creditors and consumers which would occur if creditors were compelled by the approaching effective date to make substantial modifications in their open-end credit plans.

During the two-month extension, creditors will be prohibited from offering new plans or expanding existing ones.

The Board's notice is attached.

Title 12 -- Banks and Banking

Chapter II -- Federal Reserve System

Subchapter A -- Board of Governors of the Federal Reserve System

[Reg. Z; Docket No. R-0202]

Part 226 - Truth in Lending

Right of Rescission

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Extension of effective date.

**SUMMARY:** On September 19, 1979, the Board revoked an amendment to Regulation Z (Truth in Lending) that created an alternative in certain circumstances to the three-day cancellation right otherwise applicable to each individual advance under open-end credit accounts secured by consumers' residences. The revocation, which also included the revocation of related Board and Official Staff Interpretations, was to become effective on March 31, 1980. This action delays implementation of the revocation action for two months until May 31, 1980, pending Congressional action similar to that of the Board's revoked amendment as part of the proposed Truth in Lending Simplification legislation. The Board's action also prohibits creditors from offering new plans or expanding existing plans during the extended time period.

**EFFECTIVE DATE:** This action, which delays until May 31, 1980, the revocation of the open-end rescission amendment to Regulation Z and related Board and Official Staff Interpretations, is effective immediately.

**FOR FURTHER INFORMATION CONTACT:** Maureen P. English, Section Chief, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202-452-3867).

**SUPPLEMENTARY INFORMATION:** On September 19, 1979, the Board revoked § 226.9(g)(6) of Regulation Z (12 CFR Part 226), Board Interpretation § 226.904, and Official Staff Interpretation FC-0159 (44 FR 55553-54), effective March 31, 1980, which relate to the application of the Truth in Lending rescission rules to advances under open-end credit plans secured by consumers' principal residences. In order to provide ample time for the orderly modification or termination of the limited number of such open-end credit plans, the Board delayed the effective date of its action until March 31, 1980. During this time period, however, creditors were not to offer new plans or to expand existing plans (44 FR 61587).

The Senate has approved the Truth in Lending Simplification bill which contains a provision similar to the Board's amendment that was revoked. That provision eases the rescission requirements for open-end credit plans involving advances that are secured by consumers' principal residences. Subsequently, the bill was attached as part of H.R. 4986, which is presently being considered by a Senate-House Conference Committee. House conferees have indicated that they are willing to accept the Senate's open-end credit rescission provision for a three-year trial period. Several petitions have been received requesting that the Board delay the implementation of its revocation action pending Congressional action that would permit the type of credit plans developed under the Board's amendment.

The Board's action delays the effective date of its revocation order until May 31, 1980; and, as before, creditors are prohibited from offering new plans or expanding existing plans during that time period. In taking this action, the Board considered the hardship that would result to both consumers and creditors if substantial modifications were required to be made--and required to be made without delay in order to comply with the March 31, 1980 deadline--in existing open-end credit plans, despite the probable enactment of legislation that provides an exception similar to that allowed by the Board's amendment.

The Board has determined that the delay involved in complying with the provisions of 5 U.S.C. § 553 relating to notice, public participation and deferred effective date would be contrary to the public interest, since the disruptive termination of existing open-end credit plans would, in fact, occur during the completion of the general procedures required by § 553. Board action on delaying the effective date of the Board's revocation action was not requested until recently, since the petitioners had, undoubtedly, anticipated the final resolution of the issue by Congress. Therefore, pursuant to 5 U.S.C. § 553(b)(B) and 5 U.S.C. § 553(d)(3), the Board is publishing this rule without notice and prior opportunity for comment, to become effective immediately.

Pursuant to § 105 of the Truth in Lending Act (15 U.S.C. § 1604 (1970)), the Board delays the effective date of the revocation of § 226.9(g)(6) of Regulation Z (12 CFR Part 226), Board Interpretation § 226.904, and Official Staff Interpretation FC-0159 until May 31, 1980.

By order of the Board of Governors, February 29, 1980.

(signed) Theodore E. Allison  
Theodore E. Allison  
Secretary of the Board

[SEAL]

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

**TRUTH IN LENDING**

**AMENDMENT TO REGULATION Z†**

The following is an amendment in the Regulation Z slip sheet dated January 1980:

The effective date of the revocation of § 226.9(g)(6) and Interpretation § 226.904 (item no. 21 in the slip sheet) has been extended to May 31, 1980. The two † footnotes to these sections appearing on p. 6 of the slip sheet should also reflect this new delayed effective date.

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† For this regulation to be complete as amended to October 1, 1980, retain:

- 1) Printed Regulation pamphlet dated March 23, 1977.
- 2) Slip sheet dated January 1980.
- 3) This slip sheet.

**MARCH 1980**